

NATIONAL ENTREPRENEURS' DAY

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES ONE HUNDRED FOURTEENTH CONGRESS FIRST SESSION

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None.	

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TUESDAY, NOVEMBER 17, 2015

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,

Washington, DC.

The Committee met, pursuant to call, at 11:00 a.m., in Room 2360, Rayburn House Office Building. Hon. Steve Chabot [Chairman of the Committee] presiding.

Present: Representatives Chabot, King, Luetkemeyer, Huelskamp, Brat, Knight, Curbelo, Hardy, Kelly, Velázquez, Hahn, Meng, Lawrence, Adams, Moulton, and Peters.

Chairman CHABOT. Good morning. The Committee will come to order. Earlier this month, I, along with Ranking Member Velázquez and several members of Congress, including many on this Committee, introduced a resolution to establish the third Tuesday in November as National Entrepreneurs' Day. As today, November 17th, is the third Tuesday of this month, it seems only fitting that we hold a hearing to highlight the vital role that entrepreneurs play in the American economy and how being an entrepreneur is, for many, a large part of the American dream.

We are a country that was founded by inventors and entrepreneurs, such as Benjamin Franklin and Thomas Jefferson, and even George Washington. Our nation's rich heritage of entrepreneurship should compel us to continue to create opportunities for individuals who dream big and strike out on their own. In America, entrepreneurship is a viable career path, one that a majority of Americans consider a measure of success. We lead the world in ingenuity and innovation, and we should be proud of that.

As the Committee on Small Business, we recognize that our entrepreneurs are in every community, whether it is running a 100-year-old family restaurant or creating the next big product at a local accelerator. Each and every day, entrepreneurs are seeking to provide for their families, and build their communities, and live the American dream.

However, sadly, we do know that the rate of new business creation is less than it was a few decades back. And while everyday people still dream of starting their own small business, it has become harder given the increase in regulations, challenges accessing capital, and general uncertainty in our economic climate.

Today, though, we are fortunate to be joined by a great group of witnesses who have been successful striking out as entrepreneurs and who continue to promote entrepreneurship in their communities. I want to thank our panel for taking time away from their

jobs and making the trip to Washington for this important hearing, and we look very forward to your testimony here this morning.

And I will now yield to the ranking member, Ms. Velázquez, for her opening remarks.

Ms. VELAZQUEZ. Thank you, Mr. Chairman.

Entrepreneurs are one of the leading forces in our economy. They develop new products, stimulate other industries, and create new markets. As a result, startups have a disproportionately positive impact on job creation. By starting new endeavors and developing cutting-edge products, entire industries, as well as the overall economy, are renewed and energized.

Forming a new business and bringing innovative products and services to unproven markets is inherently risky. As a result, startups face unique challenges. From accessing capital and maneuvering an uncertain tax code, to managing operations and human resources, there are numerous hurdles to launching a new venture. Yet, despite the risks and challenges, new companies continue springing up, reinvigorating our economy. It is this committee's responsibility to ensure these firms have the resources they need to navigate these many complexities and take advantage of the wide ranging support available to them. Fostering innovators who are determined to turn their dreams into reality benefits the entire economy since these businesses create new markets and increase competition. Their actions have a multiplier effect on job creation as new enterprises and innovators are drawn into the new market.

During today's hearing, we will have an opportunity to examine the unique role entrepreneurs and startups have played in strengthening our economy. Currently, entrepreneurship is experiencing growth as more immigrants, entrepreneurs, and all the professionals start businesses, and these job creators are becoming increasingly diverse with more than 40 percent of new entrepreneurs being minorities. While these numbers are promising, we have seen some groups steadily lose ground. In fact, the rate of women entrepreneurs has fallen to 36.8 percent, which is close to a 2-decade low. And despite more college graduates starting businesses, the rate of younger entrepreneurs has been declining due to greater student debt burdens.

Today's hearing will allow us to find solutions to these issues so we can learn how best to increase their participation as entrepreneurs. In order to facilitate their success, it is critical that as dynamics change, the strategy for supporting them also evolves.

In advance to your testimony, I just want to take an opportunity to thank all of you for being here today. And I yield back.

Chairman CHABOT. I thank the gentlelady for her opening remarks, and I would also like to ask unanimous consent that the gentleman from California, Mr. Peters, is recognized for the purpose of this hearing to ask questions and participate like any other member. He was, I believe, the lead sponsor in the last Congress of this legislation and was a cosponsor this time as well. So we thank him.

Without objection, so ordered.

I would now like to introduce our distinguished panel here this morning. I am very pleased to introduce our first witness, one of

my constituents, Chris Ostoich, who is the cofounder and vice president of Marketing, LISNR, in Cincinnati. LISNR is new audio technology, and it recently raised \$10 million in financing, which will lead to new jobs and opportunities in the Cincinnati area. But more importantly, Mr. Ostoich himself is a successful entrepreneur, and he has done a lot to reignite the spirit of entrepreneurship back in my hometown, and I thank you for that even though the Bengals lost last night for the first time this year. Very depressing today, so if I am a little less—well, never mind. It was just a sad, sad evening.

So anyway, thank you very much for being here. And I would like to now turn to my colleague, Mr. Curbelo, to introduce our second witness.

Mr. CURBELO. Thank you very much, Mr. Chairman, and I thank you and the ranking member for giving us this wonderful opportunity.

I am pleased to introduce our next witness who hails from my home state of Florida. Mr. Sam Zietz is the CEO and founder of Touchsuite, located in Boca Raton, Florida. Mr. Zietz started his company, which specializes in point-of-sale technology, in 2003 and today employs about 60 people. He was recently recognized by Ernst and Young as the Southeast Region's 2015 Entrepreneur of the Year. In addition to his everyday job, Mr. Zietz is passionate about creating opportunities for America's youth to engage in entrepreneurship as a viable career path, and he is active in his local chapter of the Young Presidents Organization. He is joined here today by his wife, Sheila, and they are the parents of Rachel, Jordan, and Morgan. Rachel, an entrepreneur in her own right, Mr. Zietz has called his clone, and Jordan has also started a successful business. We will see what the future holds for Morgan, but I think we all have a pretty good idea as to what is going to happen. So thank you very much, Mr. Zietz, for joining us today.

And Mr. Chairman, I yield back. Thank you.

Chairman CHABOT. Thank you very much. And I would like to next introduce our next witness. Our third witness will be Drew Bartkiewicz, who is the CEO and founder of lettrs, which is incorporated in Connecticut but has much of its team located in Brooklyn, New York. As a resourceful entrepreneur, Mr. Bartkiewicz previously founded CloudInsure and CyberFactors. He is also a West Point graduate and proudly served in the United States Army. We thank you for your service, and also for making the trip to be with us here today.

And finally, I would like to yield to another gentleman who we also thank for his service Mr. Moulton, to introduce our next witness.

Mr. MOULTON. Thank you, Mr. Chairman.

It is my pleasure to introduce my constituent from Newbury Port, Massachusetts, Ms. Jennifer Pepper. Jen is the owner of two Etsy-based stores. PepperSprouts opened in 2008, which sells woodland-inspired home decor, and ChattyPress, launched in 2011, which sells custom stationery. In 2012, Ms. Pepper left her job as a designer of the catalogue FetchDog to be a full-time entrepreneur operating her creative businesses. She owns and operates her online stores and works with other small businesses throughout the

country to bring her nature-inspired home goods to life. Welcome, Ms. Pepper.

Chairman CHABOT. Thank you very much. And I also would note that the gentleman from Massachusetts did an excellent job this morning on I think it was Morning Joe or one of those talk shows. So a nice job.

Mr. MOULTON. Thank you, Mr. Chairman. Glad to hear you are watching MSNBC.

Chairman CHABOT. Absolutely. It is a rare thing. I had a feeling I might get something like that but I have a very open mind. Once in a while—I will leave it there.

Okay. Without further ado, we will go to our witnesses for their testimony. And I also want to just make sure you know what our rules are. We have basically a 5-minute rule, which means that you get 5 minutes to tell us everything you would like to tell us and then we get 5 minutes to ask questions. And we go back and forth to make it fair. And there is a lighting system. The green light will be on for 4 minutes. The yellow light will come on to let you know you have got 1 minute to wrap up, and then the red light will come on and we would ask you to try to keep within that as much as possible. We will give you a little leeway but not a whole lot.

So Mr. Ostoich, you are recognized for 5 minutes.

STATEMENTS OF CHRIS OSTOICH, CO-FOUNDER & VP MARKETING LISNR, INC.; SAM ZIETZ, CEO AND FOUNDER TOUCHSUITE; DREW BARTKIEWICZ, CEO AND FOUNDER LETTRS LLC; JEN PEPPER, OWNER PEPPERSPROUTS

STATEMENT OF CHRIS OSTOICH

Mr. OSTOICH. That would help. Does my time start over?

Chairman CHABOT. Yes, we will restart the clock there.

Mr. OSTOICH. Okay. Thank you for restarting my clock. I am about 5 minutes, 8 seconds.

So, as I said, I am Chris Ostoich. I am an entrepreneur. This is my third entrepreneurial tour of duty, if you will, as cofounder and marketing leader at LISNR, which is a connected devices company based in Cincinnati, Ohio. I would like to thank Chairman Chabot and the rest of the Small Business Committee for having me here today. This is a real honor to be here in D.C.

So I started my first company in 2006, and I started that company because of a pain that I felt personally. The pain was being new to a job in a city that I did not know. So I was new. I was disconnected. I did not have professional or social networks that mattered, and I do not mean the digital kind. I wanted to have a life that was full of meaningful relationships, both at home and at work. So I did what most rational people would do—I took all of the money that I had to my name, moved into my parents' basement. At 28-years-old, I took a job waiting tables at night and I went to work building this company.

What I found very, very quickly was this. Your money goes quickly. Second, in any successful startup or entrepreneurial ecosystem, you always have three things—entrepreneurs with scalable ideas, investors will to back those ideas, and customers willing to

engage and buy those products. Cincinnati, at this time in 2006, was a little short on all three.

It was clearly not the first place on earth that one would think to build a tech company. We did not have accelerators. We did not have incubators. We had very little venture capital available to companies like mine. What I did not know, however, was that there was something very special in the works that was set in motion years before. There were things already happening that would very quickly make Cincinnati and the rest of Ohio what we call “flyover country” no more.

In 2002, the Ohio Third Frontier was established to change the trajectory of Ohio’s economy. The \$2.1 billion initiative provides funding to Ohio technology-based companies, universities, research institutions, and other organizations to create new stuff—new technology-based products, companies, and jobs. It also set up regional investment arms in cities all over Ohio, including Cincinnati, Columbus, and Cleveland. By 2006, the Ohio Third Frontier was starting to actually reach into these communities, and our regional investment arm in Cincinnati of the Third Frontier itself was called CincyTech, and they were just about to start making their first investments. So definitely right time, right place for me.

My first company, BlackbookHR, was funded in 2008 by CincyTech and a syndicate of angel investors. By 2013, BlackbookHR was one of the industry’s leading software solutions for employee engagement. In 2013, I started my next business with friend and P&G marketing veteran, Rodney Williams, called LISNR. So LISNR is a new communication protocol, not, you know, unlike Bluetooth. However, we are simply using sound around us to connect devices. In 3 short years, we have grown LISNR to more than 40 employees. We will reach 80 by the end of 2016. Just last week, as Chairman mentioned, we announced our \$10 million Series B financing that was led by one of the most successful corporate venture capitalists in the world, Intel Capital, the chipmakers, as you probably know.

CincyTech, however, has participated in each company that I have led, and almost every round of capital that we have raised. Collectively, companies that I have started have raised more than \$20 million of venture capital money, and in total, we employ more than 60 people in all of those companies at an average salary of approximately \$70,000, something I am very proud of.

And I am just one representative from this great community. There are hundreds more like me in Cincinnati and in other cities in Ohio right now. In fact, many people are saying the Midwest offers the best opportunity for growing companies outside of Silicon Valley, and the math behind their logic is fairly straightforward. The Midwest makes up 19 percent of the country’s GDP. We generate almost 20 percent of its patents. We have some of the best engineering schools in the world, and we house and hold more than any other region in the country in terms of the concentration of Fortune 500 companies. Yet, the region only attracts 5 percent of the nation’s venture capital. So that is where state and federal government come in.

As I mentioned previously, there are three things that are a part of any successful startup ecosystem—entrepreneurs with scalable

ideas, investors willing to invest in them, and companies willing to do business with those companies. We still do not have enough access to capital in southwest Ohio, and we would not survive without programs like the Third Frontier. Today, the world has changed in Cincinnati and in Ohio, and here are three examples of the Third Frontier's influence.

First, CincyTech has invested more than \$25 million in 59 companies in Cincinnati. Those companies have generated more than \$500 million of follow-on capital and more than 760 jobs have been created. The Brandery has graduated 56 companies that have generated \$120 million in follow-on funding, and lastly, Cintrifuse is a network connecting the region's high potential startups with talent, funding, and customers.

Chairman CHABOT. Mr. Ostoich, if you would not mind concluding.

Mr. OSTOICH. Certainly.

Chairman CHABOT. Thank you.

Mr. OSTOICH. This is the end. We would not be here if I did not have access to initiatives like the Third Frontier. We have come a long way in less than a decade, and there is still plenty of work to do. But I will tell you today, that Ohio is "flyover country" no more.

Thanks again for having me here today. It has been an honor.

Chairman CHABOT. Thank you very much.

Mr. Zietz, you are recognized for 5 minutes.

STATEMENT OF SAM ZIETZ

Mr. ZIETZ. I am happy to be speaking before you today on National Entrepreneur Day. Entrepreneurship is what built this country through the likes of Rockefeller, Carnegie, Edison, Ford, and many others, and entrepreneurship remains the only competitive advantage we have over the rest of the world.

I am extremely passionate about entrepreneurship, and actually just came back two days ago from the EY Strategic Growth Forum where I was fortunate enough to be recognized as one of the Entrepreneurs of the Year. I have also had my companies appear on the Inc. 500 List of Fastest Growing Companies seven times. My company, Touchsuite, is a financial technology company focused on the payment processing space. We provide businesses throughout North America with the technology necessary to accept payment. I believe that every great company needs to have a purpose greater than themselves and profit.

At Touchsuite, our purpose is to help rebuild America one small business at a time. Through the products we create, we help other small business owners to compete with larger companies by giving them the same access to data, marketing, and capital that Fortune 500 and big box retailers have long enjoyed. As a result, they are able to increase their businesses, expand, provide for additional jobs, and stimulate the economy.

However, I am most proud of the amazing entrepreneurs that my wife Sheila and I are raising. My oldest daughter Rachel is a passionate lacrosse player and saw a need for improved practice equipment and started her own company, Gladiator Lacrosse, when she was just 13 years old. She participated in the local chapter of YEA,

Young Entrepreneur Academy, which is a 33-week program for students after school where they learn how to start a business, write a business plan, receive mentorship, and ultimately pitch investors for funding. She is now 15 and generating over 1 million in revenue. She is the top-seller on Amazon, has created multiple jobs, and was recently recognized by Governor Scott with Florida's Young Entrepreneur Award. My son Jordan also participated in the YEA program last year and won the local competition, the regional competition, and finished third in the nation out of approximately 4,000 students.

I grew up in a blue-collar neighborhood outside Detroit, and even though I did not have much, I recognized there was opportunity for everyone regardless of the position you started in life, unlike so many other countries. I always wanted to be an entrepreneur, but I figured you needed one of two things—money or know-how. I did not have any money, so I figured I better go get some know-how and went to law school. In 2001, with two young children, I took a leap of faith and followed my dream of starting my own business. I made it against the odds because of my legal background and the people I met along the way. If you want to make a decision at the governmental level that will increase the odds for others, then I would suggest you take the following four actions. First, make the capital markets available to everyone, not just large corporations. If small business had access to capital, there are a million ways they could effectively deploy it to obtain amazing returns for their business. Empower banks, particularly community banks to make loans. Banks by their very nature are not entrepreneurial and they want to avoid as much risk as possible. However, if the government were to insure part of the loan by charging a premium, they could go a long way towards offsetting the increased losses that would have to be paid out. Not only would this drive additional revenue through the premiums, but deploying capital into small businesses will create additional jobs, taxes, and capital expenditures.

Second, reduce regulation. The cost of compliance is too high. There are many valid instances where regulation is necessary; however, we need to be able to remove as many obstacles as we can for businesses to be successful. Across the board, private enterprise has always been more efficient than government in execution. Less involvement in government in small business affairs equals stronger small businesses which equal more jobs.

Third, create a favorable tax environment so people will want to invest. Like any good business person, they will run a risk-reward analysis. Any potential investor takes into account their after-tax return, which needs to be high enough or they will sit on the sidelines and not deploy their capital.

Finally, promote entrepreneurship in the next generation. Entrepreneurship is as important as any core curriculum and needs to be taught to our children. We need to empower the future generation with the tools to succeed. Technology is rapidly changing at unprecedented levels, and that will only continue to speed up. We cannot train them for the jobs of the future since we do not know what they will be or the skills that will be required. However, we can prepare them for the mindset necessary to be successful.

Our government needs to continue to support what built this country and foster an environment that is pro-entrepreneurship. It is my belief that through the planting of the seeds necessary to foster entrepreneurship in this country, we can harvest everything we need to regain our greatness. A strong culture of entrepreneurship in this country will solve most of our problems, will create jobs, will help the GDP rise, and shrink the deficit. Much in the same way that we rely on the brave men and women of the armed forces to fight for us and protect us, we need to remove the restraints we have placed on our small business community and allow them to win the global economic war we are fighting.

Chairman CHABOT. Thank you very much.

Mr. Bartkiewicz, you are recognized for 5 minutes.

STATEMENT OF DREW BARTKIEWICZ

Mr. BARTKIEWICZ. Thank you, Chairman, and members, for inviting me today.

I am a former 82nd Airborne paratrooper, so when I see a red light, if there is a compulsion to jump off the desk, you will know why.

It comes as really a fascinating story for me to even be in front of you today. About 2-1/2 years ago, with three teenage children and my wife from Madrid, Spain, I began to lament that, in fact, there were no lasting words coming out of their device of choice. Their device of choice, whether we like it or not, is not the writing desk, it is not parchment paper, it is not quill pens. Their writing desk is right in their hand. I spent 20 years in the software industry since I left the military in the mid-'90s and graduated from the Yale School of Management. And, in fact, in the summer of 1994, I had a life event that put me on the path to start my company, and that path was I met a beautiful Spanish woman from Madrid, Spain, and for the next 6 months of our lives, we conducted long-form letter writing which became the foundation of our marriage of the last 19 years. (Speaking in Spanish)

Lettrs is a bilingual application. In fact, it is 80 languages at once, to invite people into a more deliberate, more passionate, and a more lasting communication. That business and that idea has, in fact, been, in the beginning, an extremely lonely journey. Every entrepreneur here knows that when you build something new, you are, in fact, going to be alone for a while because people are going to think you are either nuts or you have lost it or you are having a middle-age crisis. That was my case, by the way. But, in fact, when I unearthed these letters from 1994 and I started to circulate them on my fridge at home with my three children starting to observe, we realized that letter writing was not dead; letter writing simply had not yet been brought to the millennial generation.

I, frankly, am sickened by the number of apps out there that are really, to me, frat apps. They invite anonymous messaging. They invite messaging that disappears. And where would this institution be if we had treated words with such dismissive ideology and such disdain. Words are, in fact, the most profound invention of human beings in terms of how we communicate and how we connect with other people.

So my company, I am proud to say, has raised \$2.3 million to create a technology network and a platform which does three very simple things. First, it takes you into the device of choice where people are, and I put a West Point-type rule when we launched the company, and that was you could not write a fast letter. The app would stop you. You cannot publish a letter quickly. You cannot deliver a private letter quickly. You were asked and invited into a more deliberate mobile communication. What happened from that point on shocked me. We were downloaded in 170 different countries. Five MBA players joined our network. The author, Paulo Coelho, *The Alchemist*, joined our network. Actress Izabella Miko. And the irony is, as a technologist, I did all of my study and research for timeless communication right across this green at the Smithsonian Museum, at the U.S. Postal Museum, and I spent time asking curators in the museum, what was the ingredient of the personal letter that was timeless? Not one of them said that because it was on paper. Not one of them. Paper and postal delivery was simply the medium of choice. It is what we relied on for personal correspondence. It is much the way picture-taking is no longer defined by the darkroom and 35 mm cameras. Picture-taking is defined for the mass part of the world right here.

And so thanks to the U.S. Postal Museum, we really studied what are the three elements of this technology that can be resurrected for a mobile world where all of the House members here, for example, could not only publish letters, sign those letters. By the gift of us today, you have a stamp for each one of you that is on the network today, and the aspiration of a letter is that it is something people want to read. The affirmation of a letter, it is something you are willing to sign. And every letter on our network is signed with a stylus or write with someone's finger. And I am proud to say over half of our investment has come through other Academy graduates and veterans who saw this as a meaningful company. I am delighted to say that our creative and coding staff is located in Brooklyn, New York. It is a hub of creative people who care about reviving a national pastime for words that last. And joining me today as well is an Air Force Academy graduate, Andrew Commendo, who was also funded by many Academy graduates and started an augmented reality company. So thank you for recognizing entrepreneurship, and on behalf of Mr. Ostoich, Mr. Zietz, and Ms. Pepper, it is great to be here. Thank you.

Chairman CHABOT. Thank you very much.

Ms. Pepper, you are recognized for 5 minutes.

STATEMENT OF JEN PEPPER

Ms. PEPPER. Good morning. My name is Jen Pepper, and I am a creative entrepreneur from the North Shore of Massachusetts. Thank you, Chairman Chabot, and Ranking Member Velázquez, and all the members of the Committee for the opportunity to share my story with you today.

I opened my first Etsy shop, PepperSprouts in 2008, where I make nature-inspired home décor. Etsy is an online marketplace where you can buy handmade and vintage goods from artists, designers, and collectors all around the world. When I opened my first shop, I was working full-time as a graphic designer in New

York City, and PepperSprouts was just a creative for me. I sold some illustrations and a few greeting cards, but I never considered it a business. A few months in, I received an offer to try laser cutting for the first time, so I illustrated a design for a set of coasters and had them laser cut. I posted a photo of the coasters online and I started getting encouraging responses from friends and strangers and a few blogs. So with that encouragement, I started trying to sell them on Etsy. PepperSprouts kind of took off. My coasters have been featured in national magazines, sold in museum gift shops, and most importantly, treasured by people all across the world.

In 2010, I opened another Etsy shop called the Chatty Press, where I sell stationery and address stamps for paper letters. I ran the shop in addition to working as a full-time graphic designer and running my original shop as well, and it grew slowly and steadily. And after another successful holiday season, in 2012, my fiancé at the time and I agreed that I would quit my day job. This spring will mark my fourth year as a full-time creative business owner, a milestone I am incredibly proud of.

But my experience is not unique. There are over 1.5 million sellers on Etsy. Together, we sold \$1.93 billion in goods in 2014. Most of the sellers there are underrepresented populations. Eighty-six percent of all Etsy sellers are women. We are twice as likely than other small business owners to be under the age of 35, and many sellers are parents with children at home. For many, Etsy acts as a starting point to creative entrepreneurship because it eliminates the barriers and risks to starting a business. It costs 20 cents to list one item on Etsy, and the platform takes just 3.5 percent of the transaction, so it is not surprising that nearly half of all Etsy sellers sold their first product on Etsy just like me.

Some people may think that Etsy sellers are hobbyists, but we are small business owners in our own right. In fact, 76 percent of all sellers on Etsy label their shops as businesses, and for 30 percent of those sellers, it is our sole occupation. For the rest, it provides an important source of supplemental income. Every part of my business stems from my heart and my own hands, and like the majority of Etsy sellers, I run all aspects of my shop by myself from my home. I write my own copy, I photograph my own products, I draw my designs, I stain and sand every set of coasters that goes through my house, and I typeset every address stamp that is sold in my shop.

While operating as a business of one has been really liberating, it does come with challenges that policymakers could help address. First, I am concerned with the Remote Transactions Parody Act, H.R. 2775, which would require sellers like me who sell online to collect and remit sales tax in every state regardless of how big we are. There are over 9,000 tax jurisdictions in the United States, and it would be impossible for me to manage these new requirements without hiring additional help. H.R. 2775 would increase barriers to entrepreneurship and stifle creative microbusinesses, owners like me, who do not have the time or the resources to comply with this act.

Second, policymakers could help by reducing the barriers we face when shipping goods across borders. Around 15 percent of my sales are to people in the U.K., Australia, and Canada, and while I love

seeing my work in homes across the world, it can be a frustrating process to ship them there. Customs duty requirements vary by country, and tracking often stops at the border on packages. I do have to work harder than other large businesses, which have the means to navigate these complex shipping challenges and trade rules, and policymakers can help creative micro entrepreneurs like me by prioritizing higher de minimis custom exemptions in trade negotiations around the world. I am thank for the provisions in the Customs Bill increasing the U.S. de minimis to \$800 and encouraging the USTR to prioritize this issue in future trade negotiations. I encourage lawmakers to quickly pass this important piece of legislation.

Finally, policymakers can help build new systems to ensure economic security for self-employed people like me. As a business of one, it can be incredibly difficult to manage periods of slow sales, safe for retirement, or even take a sick day. When you are a business of one, there are no coworkers filling in when you are sick. Time away from my studio means money lost and increased stress upon my return.

More people are earning income outside the employer-employee relationship and working in the broader gig economy, and I encourage policymakers to consider new portable benefit models that ensure everyone has access to economic security regardless of the way they earn a living.

I am deeply appreciative of the opportunity to share my story with you, and I hope that I have shed some light on the challenges creative entrepreneurs face today. I hope this coming year brings more success and more customers, so that I can hire an employee and perhaps even move into my own studio space. My dream is not only to sell my own work, but also create a lasting business that is bigger than just myself, and I would welcome the opportunity to work with all of you to make that dream a reality.

Chairman CHABOT. Thank you very much. We thank the entire panel. It was very good testimony. Really.

And I will recognize myself for 5 minutes now to ask questions. And I will start with you, Mr. Ostoich. It is my responsibility to be kind of the timekeeper here, so I apologize for cutting you off, so I will start with my first—let me give you a minute or so. Is there anything that you would like to have said that you kind of ran out of time there at the end? So I will not ask you a specific question.

Mr. OSTOICH. No, I think I got everything in that I have written, so I am happy to field questions.

Chairman CHABOT. Okay. All right. Thank you.

Well, let me ask you, you mentioned the Ohio Third Frontier Program. Could you maybe elaborate a little bit on that and how that happens, how it works in our state for small businesses and entrepreneurs?

Mr. OSTOICH. Sure. Certainly. So I can tell you how I have seen it impact me personally. I was introduced to the Third Frontier through the CincyTech Initiative. So they deployed capital through regions in the state by focusing on regional networks. So Cincinnati has an entity, CincyTech. Tech Columbus is the entity in Columbus that invests in companies. Cleveland has Jump Start. So every

major city that applied for this kind of capital, it was sort of an ask. And then the Third Frontier said, hey, in your region, if you can assemble a team of people to build this and then go raise funds to match what we are willing to give you—so it was a matching program, dollar for dollar—we would start pushing venture money into the region. It started as a nonprofit, and they quickly realized for investors to participate, as I mentioned, was important in that equation, that it needed to have a for-profit entity as well. So my experience with the Third Frontier has been working directly in CincyTech. They have invested between \$500,000 and \$800,000 in every company that I have started.

Chairman CHABOT. Thank you very much.

Mr. Zietz, I will go to you next. What were some of the challenges, things that made things tougher to be successful from the federal government? I know there are things with the local folks, but we tend to make it a lot tougher, whether it is regulations or whatever. What do we do that makes your life more difficult trying to be an entrepreneur and hire folks and be successful?

Mr. ZIETZ. Yeah, there is a lot of regulation. I mean, one that recently impacted us and our clients was the Operation Choke Point that was implemented. It has since been supposedly curtailed and reversed, but the effect of it was to force us to stop payment processing service for Small Business, hundreds, and across the country, thousands, tens of thousands of small businesses because—

Chairman CHABOT. Would you just briefly tell us again what Operation Choke Point was?

Mr. ZIETZ. So Operation Choke Point was implemented to basically curtail the banking and payment processing for access to banking and payment processing for the business community. So if the government did not like a particular industry, even though it was completely legal, they would influence or prohibit the banks from allowing them to have bank accounts or payment processing to accept credit cards for payment. Effectively, the reason they call it Choke Point is you basically choke them off. If you cannot accept credit cards for payment, it is going to be a big deterrent to your business.

Chairman CHABOT. Was not the firearms industry one of those, for example?

Mr. ZIETZ. Absolutely.

Chairman CHABOT. One that was kind of frowned upon by an administration at that time is my recollection. Yeah. All right.

Mr. ZIETZ. That is exactly it. I mean, basically, the administration tried to implement social policy through Operation Choke Point.

Chairman CHABOT. Thank you. I have only got a minute and 13 seconds yet I have got two more I would like to get to.

Mr. Bartkiewicz, let me go to you next. What is it about veterans? Why do they make such strong entrepreneurs oftentimes like yourself?

Mr. BARTKIEWICZ. Ambiguity and uncertain outcomes is what you kind of adapt to in the military. So when you start any business, there is no shortage of ambiguity and there is certainly no shortage of uncertain outcomes. So I think your ability to adapt to

a changing environment, your ability to have stamina and perseverance in terms of what you are doing are just two ingredients. I think the federal government could recognize that. Do exactly what you are doing today; just recognize it and it will happen.

Chairman CHABOT. Thank you. Thank you for being brief on that, too, so I can get to Ms. Pepper. And I will be real brief on the question.

Does intellectual property rights and making sure that they are enforced, et cetera, is that important to your business? Does that come into play at all?

Ms. PEPPER. Absolutely. It would be great to have more of that infrastructure for outside countries as well. For me personally, I have had my work infringed upon by outside countries offering my designs using my own photos that I personally took and selling them for pennies on the dollar. And again, I am just a business of one, so tracking those people down and sending DMCA's to the sites is a lot to manage for one person.

Chairman CHABOT. Thank you very much. My time is expired. I will now yield to the gentlelady from New York.

Ms. VELÁZQUEZ. Thank you. I was very happy to hear, Mr. Ostoich, that you mentioned the important role that government could play in providing access to capital or establishing contracting goals so that businesses could access the federal marketplace or the state government procurement processes, because that is a good way for a startup to get contracts. Do you think that it might be different to have that type of role played by government?

Mr. OSTOICH. I do. In fact—

Chairman CHABOT. The mike?

Mr. OSTOICH. I do. Clearly, I have not figured this out.

Both from the viewpoint of doing business with these entities.

Ms. VELÁZQUEZ. Sure.

Mr. OSTOICH. In every one of my companies I could argue that the state or local government or the federal government could be a customer, but at the same time I would love to see more opportunities for in many cases big businesses to actually be incentivized by government to do business with small businesses. And that is one of the ways we get started. As a company that is less than a year old, it is all about whose logos you put up on your site in the first 12 months of your existence. And for us to have some incentive for big businesses to do business with us would be hugely helpful.

Ms. VELÁZQUEZ. Sure. We have contracting goals throughout the federal government, so if there is a prime contractor that has the opportunity to do business with the federal government, we require them to also subcontract with small businesses. So that is a way we incentivize the big, large businesses. They come in; they do business with the federal government and then provide an opportunity to contract with smaller businesses.

Mr. Zietz, you mentioned it is important that we provide opportunities for everyone, and you also mentor young entrepreneurs, right, and startups? What would you say is the biggest challenge they are facing today, in terms of going ahead and opening their business but also in growing their business?

Mr. ZIETZ. At a high level it is twofold. It is, one, access to capital. Two, it is experience. In experience scale, you always hear about entrepreneurs failing multiple times before they hit it big. Well, the reason for that is they are gaining experience. They are learning from their failures. But through mentorship, through programs that are out there, whether it is YPO, EO, incubators, et cetera, and even the universities have started to jump onboard, this education will provide them the experience necessary so they do not necessarily make those pitfalls.

Ms. VELAZQUEZ. And what would you say is the biggest hurdle for young graduates to venture out and establish their business?

Mr. ZIETZ. Well, they need access to the capital, but it is knowing that they can take that chance. When you are growing up, kids think they can do anything. In school and society, we kind of box them in. We need to stop boxing people in and letting them believe that they can do anything. And when they go out there, they will take those chances, they will take those risks, and many times they will create just unbelievable things that will propel our society.

Ms. VELAZQUEZ. Do you think student debt is in a way a challenge for those graduates?

Mr. ZIETZ. Well, my wife and I both graduated law school. We met in law school. And when we graduated, we joked that it would have been a huge head start if we had nothing because we had nearly \$300,000 of debt. But we worked hard and paid it back and I was thankful for the access to it that allowed me to have an education.

Ms. VELÁZQUEZ. You mentioned that access to capital is very important, and we need to incentivize banks to lend more. And you say that community banks are the ones lending to small businesses in our communities.

Mr. ZIETZ. I did not say that they are. I think they need to. I think—

Ms. VELÁZQUEZ. Well, when compared to the big banks, community banks are the ones that are lending to small businesses.

Mr. ZIETZ. Yes, they are.

Ms. VELAZQUEZ. And in the federal government, we incentivize community banks and other lenders to lend to small businesses by guaranteeing 85 percent of their loan. So I do not know if you are aware of this or whether any of you have benefitted in any way from the programs that are in place at the Small Business Administration.

Chairman CHABOT. The gentlelady's time is expired, but if you would like to answer the question, go ahead.

Mr. ZIETZ. I think the programs in place are very helpful, but I think we could go a lot farther with those programs by incenting, especially community banks who are on the frontlines. They know what that community needs and they know the character of that entrepreneur, and they are in the best position to make that—call it a bet on whether they are going to be successful. If the government backstops it with some sort of program where they can charge a premium to offset those losses, I think you will see a lot more entrepreneurship in this country.

Chairman CHABOT. Thank you.

Ms. VELAZQUEZ. We guarantee 85 percent. That is a big chunk.

Chairman CHABOT. Thank you.

The gentleman from Nevada, Mr. Hardy, who is the Chairman of the Subcommittee on Investigations, Oversight, and Regulations is recognized for 5 minutes.

Mr. HARDY. Thank you, Mr. Chairman. Thank you for being here.

You know, as an entrepreneurial small business owner myself in the past, I appreciate the risk that you take. It is a risk, and you know, every business that starts up takes that risk. That is truly what it means to be an entrepreneur. Putting everything aside, you move forward and you kind of try to figure out whether you can create a better mousetrap. So when you jump in, you either sink or you swim. Those that create that better mousetrap have success, as you folks have had. Those that do not kind of have to go back to the drawing board.

Being that small business owner myself and stepping out and taking that chance, I want to give about 20 seconds to each of you if you would, to just tell me what you think caused you to take a step forward and take that challenge? Because it is not easy, at least in my opinion. But for some reason you push yourself to do it. What caused each of you to do that? If you do not mind, I will start with you, Mr. Ostoich.

Mr. OSTOICH. I would say that for me it was a relentless commitment to my own pain. I think entrepreneurs are born out of either education or of pain, and for me it was a personal pain point that I was just relentlessly focused on making sure I solved for this, and I think that gave me the confidence to just take the lead.

Mr. ZIETZ. I have a friend that says he is socially and economically unemployable, so I would say that probably applies to me as well. But it is really passion and purpose. I feel I had a purpose to go out there and be an entrepreneur and help other small businesses. We feel at our company that we champion the small business community and what we do is we solve their problems, and along the way we profit from that.

Mr. BARTKIEWICZ. In my case, certainly, trust your instincts, and part of the challenge young people have in starting a new business and starting a company is they have not really fully developed confidence in those instincts. By the time that you have either previously failed or you felt the pain of working perhaps in another organization that did not fit for you, either the pain or the trust in your instincts just pushes you to do it. And the more philosophical answer is that I always believe what is most personal can also be the most universal, and therefore, if there is something that is so personal to you that you cannot see a world without it, you are just going to go do it.

Ms. PEPPER. For me, it was part I did not have a choice. I had laid plans in the middle of 2012 after I was married to go full-time and quit my day job, and before we could get to that point in June, the catalog that I was working for actually shut its doors in March. So I was pushed into—I did not have a job anymore, so why not just keep working for myself because I already had these companies set up, so I just kept running with it, and here I am. I celebrate 4 years of it this spring.

Mr. HARDY. Thank you.

Mr. Bartkiewicz, I want to start with you first. First of all, you talk about you moved forward and did this as a middle-age crisis. I must tell you, you are wrong. This is a middle-age crisis. With that being said, back to your military background. I had the opportunity to go overseas and visit Israel, and they think some of their best entrepreneurs and the reason they are such an innovative country is because everybody has to be in the military. They have to grow up quick in Israel because they enter at 18 and they come out of there at 20, 21 years old, and they have done some of the greatest innovations across the country over the past years. Did you see military life or service to your nation as an opportunity when you took that opportunity? And thank you for it.

Mr. BARTKIEWICZ. For sure. You know, when I was in Iraq in 1991, the vision of starting my own business was not in my mind. It was establishing the safe have for the Kurds. And when I play back the word nourishment that came through a letter, it is what I, 20-plus years later, revived. I think there is a lot of support for this nation for veterans, probably better than there ever has been. I think there is a recent decision on Reg A that allows noninvestors to get behind a new company and fund that company. So I certainly relied on the network of military people who knew me first as a place to start. I am sure every entrepreneur here went to people who knew them and trusted them. And you just build that incremental trust as you grow your company, and you discover that there are a lot of people in the world who want your services beyond just the military, which was wonderful in itself.

Chairman CHABOT. The gentleman's time is expired.

The gentlelady from California, Ms. Hahn, is recognized for 5 minutes.

Ms. HAHN. Thank you, Mr. Chairman and Ranking Member Velázquez for honoring our entrepreneurs in this country. I am happy to be a cosponsor of the resolution to declaring it National Entrepreneurs' Day, the third—is it the third Thursday? Or Tuesday. It should be every day.

Thank you for your testimony, Ms. Pepper. I really appreciate that. I actually looked up your site while sitting here. You have some really creative, interesting items for sale. I love your woodland ornament advent calendar.

Ms. PEPPER. Thank you.

Ms. HAHN. Super cute. Anyway, you know——

Chairman CHABOT. We may be violating some sort of advertising rules here, but you go right ahead. We want our small businesses to be successful.

Ms. HAHN. I know. Right? It was super cute.

Chairman CHABOT. I will give you some time at the end to make up for me breaking in.

Ms. HAHN. I am certainly a strong supporter of women and minority-owned businesses. I have brought to my district in Los Angeles the former SBA administrator and other SBA officials to provide information. We have got seminars just for women-owned and minority-owned businesses. In fact, one in two new small businesses are Latinos in this country, so it really is interesting. And 86 percent of the businesses on Etsy are women-owned. So it certainly is a growing opportunity for women in this country.

One of the things that you said in your testimony was that many small business owners lack access to retirement plans. In fact, over 68 million people lack access through their jobs, and I think this is an area where we really need to make sure people have the financial support and freedom and security to feel the confidence to start their own businesses. The Treasury Department started the pilot myRA program, and under this program, individuals can sign up for retirement accounts that have no fees or costs and no minimum balances. But more importantly, they are backed by our Treasury, and the account stays with you even if you change jobs or decide to open your own business. Have you personally heard of myRA? And do you think this program helps business owners like yourself? And do you think we should be doing a better job of promoting it?

Ms. PEPPER. I have not heard of myRA, but it sounds like a great program that could definitely help small businesses, especially small individual businesses. I think a lot of what is missing in retirement plans for single business owners is knowing what plans work best for me personally because I am married. I had an individual IRA that no longer worked for me due to the amount of money that my husband was making. I got absolutely no tax credit and no incentivization to have that retirement plan. So I had to go to my account to find out what worked for me now. And that is information that is not readily available online, which is where most people turn for this kind of information.

Ms. HAHN. So we probably should be doing a better job of promoting those programs to our small businesses.

So I like to do a lot of my holiday shopping on Small Business Saturday, the day after Black Friday. And it usually seems like a lot of our emphasis is on the brick-and-mortar stores on Small Business Saturday. Do you think we should do a better job of promoting online small businesses like yours in these kinds of shop small business campaigns in this country?

Ms. PEPPER. It would be silly to say no. Yes, absolutely. I think a lot of it is about going out and shopping local, which I absolutely do, and I am a big fan of, like, my local boutiques that sometimes carry my work and works of my colleagues as well. But I think anything that, you know, the government can do or even other small businesses can do to help support not just brick-and-mortar physical locations but all of the Etsy shops and even small businesses that are not on Etsy.

Ms. HAHN. Have you ever reached out to our Small Business Administration with suggestions on how they might be more supportive of businesses like yours?

Ms. PEPPER. I have not, but I absolutely will in the future.

Ms. HAHN. Great. Well, thank you for being here.

Ms. PEPPER. Thank you.

Chairman CHABOT. Thank you very much. The gentlelady's time is expired.

The gentleman from Virginia, Mr. Brat, is recognized for 5 minutes.

Mr. BRAT. Welcome to everybody this morning. Thanks for being with us.

I just have a question. Once in a while, politics seeps into the city up here. Have you all ever heard of that? I will try to bypass that. I am kind of interested, a lot of your stories were very individual and the product you developed seemed very individual and particular to you. And so that is amazing. I applaud that; following your passion and developing a product in that way. But in the back of your mind, I mean, to duck the politics, as a small business person, did you choose that path for a reason? Were there other avenues you probably knew you could not pursue? I am just interested in the mind of entrepreneurs out there. Are there some paths that you can pursue in business and other sectors you just know “I cannot go down that route.” If you can all just four—or friends you have in other sectors, other industries where there are also entrepreneurs. I just am curious, a quick response from each of you on that one.

Mr. OSTOICH. No. It was a very clear path for me. I spent most of my early professional career in finance, and felt like I was dying a slow death. And now being three startups in, and I blew the first one up. I did not share that with everyone, but the first one got shut down. This will be the same thing I do over and over and over again, and that is what I love about it.

Mr. BRAT. That is great. And just to be clear, I am trying to get at policy up here. Is there anything we are doing wrong that is crimping some sectors and keeping you from pursuing some lines where you chose to go into others lines? That kind of a thing.

Mr. ZIETZ. As for me, as I made my opening remarks, I always wanted to be an entrepreneur, and that led me ultimately to law school and I practiced law. I worked at a very large firm, Skadden Arps in New York, and I was doing structured finance. So I was securitizing income streams for others and I thought to myself, how do I go get one of these for myself? And that is how I discovered the payment processing space. And like any entrepreneur, when you start a business, you start to pivot, and that is how we ended up becoming a financial technology company. And we kind of evolved that way. I would say, sure, there are certain industries where there are huge barriers of entry. I would never have dreamed of starting a defense company. I just would not have those resources. Or a pharmaceutical company. But, you know, I think what you do as an entrepreneur is you rely on what you know and what your niche is, and most great entrepreneurs came from that background. You know, my daughter started a lacrosse business. Why? Because she was a very good lacrosse player and saw a need. So that is where I think most people go.

Mr. BARTKIEWICZ. You know, the nature of the question asks kind of why do something insane? Because it feels like an insane process. But you will come across an observation of your society that is not necessary in the interest or long-term benefit of the next generation. And so as you become a parent, you start to think not about problem-solving for what you are doing, but how do you anticipate the problems that are right in front of your kids? And I read a book called *The Shallows*, which was a bestseller by Nicholas Carr a few years ago, and Nicholas Carr cautioned us as a society about the narrowing band of attention, literacy, and even emotional care that young people have as they move into a more

and more shallow band to multiplication of inputs on a mobile device. So when I read the book, 20 years in technology, I said, if we use technology to invite people to move to the shallows, let us turn it upside down and use the same technology but now invite them into a more reflective, pensive, and with a sense of permanence by design. And it was that book that pushed me down a path to just go do it and not really worry about the consequences afterwards.

Mr. BRAT. I was going to ask another round two, but Ms. Pepper, maybe I can ask you and push the second one on you. I did not want to get to this ahead of times but sometimes there is a tension between small business and big business. So I kind of ask the first round just to see, are certain avenues closed off to you? Put a little bit more bluntly, are there areas where you just see small businesses are being discriminated against, there are huge roadblocks? Not just scale. I get the scale industry kind of thing you cannot go down, but are there ways which you just feel small business is getting the short shrift?

Ms. PEPPER. I would say in some aspects yes, with getting financing, all of the hoops that you have to jump through as a small business. You do not necessarily have people working for you who can manage all these things. You really have to do all of the research on your own, which is the one downfall for small business versus a larger corporation.

Mr. BRAT. Anyone else in 7 seconds?

Mr. BARTKIEWICZ. Going back to a large business right now would be the death of me.

Mr. BRAT. I will close on that one. Thank you.

Chairman CHABOT. Okay. Thank you very much. The gentleman's time is expired.

The gentlelady from North Carolina, Ms. Adams, who is the Ranking member of the Investigations, Oversight, and Regulations Subcommittee is recognized for 5 minutes.

Ms. ADAMS. Thank you, Mr. Chair. Thank you, Ranking Member Velázquez, for hosting this hearing.

I have said many times that small firms are the engines that help drive our economy and our nation's small business entrepreneurs are in the driving seat. We must continue to support these business owners as they start and expand their companies. It is critical to target areas where small firms have the most potential to create jobs and thrive. Some point to government contracting while others focus on exporting.

Ms. Pepper, in your opinion, what area has the highest likelihood to make this possible?

Ms. PEPPER. I think one thing that needs to be mentioned about some small businesses and women-owned businesses, especially mine in particular and the 1.5 million sellers also on Etsy, is that we do not necessarily want to grow to get government contracts or to grow and have 100 people working under us. We have our own measurements of success, and for some of us that might be making enough money to take our kids on a vacation. Some of us might be to quit our day job. Some of it might be to gain more wholesale accounts and have our goods sold in shops across country or across the world, but it does not necessarily stack up with what other businesses may consider successful outcomes.

Ms. ADAMS. Thank you.

Mr. Zietz, when compared with federal efforts, do you see any limitations in the types of business assistance services that the private sector, such as incubators and other mentor programs, can provide to small firms, particularly minority-owned firms?

Mr. ZIETZ. I think it breaks down to access to information and experience. So businesses that have access to experienced people, to mentors, to people to guide them, have a far greater likelihood for success. Programs, even at the youth level, when I mentioned the young entrepreneur academy, what they have done is they have partnered these children up with mentors from the business community who have already been there and done that. And they provided that access through their experience so that those kids are successful, and a lot of them have created real companies that are employing people and are generating real revenue.

Ms. ADAMS. Beyond SBA's business assistance services, there are a number of training opportunities and resources available to small businesses such as community college classes.

Mr. Bartkiewicz, in your opinion, how effective are educational classes at the college level for young entrepreneurs, and is this enough to encourage more young prospective business owners?

Mr. BARTKIEWICZ. I think it is a great question because college and community are two incredible ecosystems to nurture risk-takers and problem-solving. I think for the college environment, you have certainly universities that distinguish themselves by attracting entrepreneurs, both success stories of students that come out of those schools and, you know, it certainly began out more on the West Coast part of the country. There was a bit of a tech snobbery when I first went out there for capital raising on my company. I can tell you though, in the New York City area, Austin, Chicago, there now is a lot of energy around community events called meetups. And these meetups are going on in these cities probably every other day on subjects from writing code to gaining capital to web design. And I will say, they are largely organized around a lot of new technologies, so I think your influence certainly could be to create your own meetups in your own jurisdictions, invite in entrepreneurs and let a community college know that these entrepreneurs are going to be coming to your office, to your forum, to talk about entrepreneurship and how they might pursue this themselves.

Ms. ADAMS. Great. Thank you. And thank you all for your testimony. I yield back, Mr. Chair.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

The gentleman from California, Mr. Peters, is recognized for 5 minutes.

Mr. PETERS. Thank you, Mr. Chairman, and thanks to Ranking Member Velázquez for holding this hearing on National Entrepreneurs' Day and for including me. I am not typically a member of the Committee but as you heard, I am allowed to sit in today, and I am happy to do so. And it was an honor to work with the members of the Committee to help introduce bipartisan legislation that would support designating the third Tuesday of November as National Entrepreneurs' Day. And I want to thank the witnesses

for being here to highlight the culture of entrepreneurs in the spirit of America's growth and for sharing your experiences.

I am proud to represent San Diego, California, which was recognized by Forbes last year as the number one place to start—to launch a startup. And it is clear to see how much our region has embraced the entrepreneurial spirit that continues to grow in San Diego. And I just want to mention that the reason I was involved last term was I was inspired by a leader in San Diego's Research Committee whose name was Duane Roth, who passed away from injuries sustained in a bicycling accident, so this particular effort has become of some importance to the entire city. His commitment to promoting entrepreneurial spirit helped turn San Diego into a top city for innovation.

I wanted to ask a question of Ms. Pepper about one thing that she mentioned, which was—I think it is now called the Remote Transactions Parody Act. It is my understanding that the various discussions of that kind of approach, which is to require online businesses to collect sales tax so that you are not undercutting brick-and-mortar stores who are selling the same things. There is typically a discussion about an exemption for smaller businesses, and I have heard the range of that to be \$5 or \$10 million of annual revenue. Is that the kind of exemption that would help you in terms of implementing this?

Ms. PEPPER. I think a \$10 million exemption would be absolutely the right thing to do.

Mr. PETERS. Okay. So you would favor that level?

Ms. PEPPER. Yes.

Mr. PETERS. Okay. Well, that is very helpful for us. I hope that we will be taking that up. I think you can see at the very large level that there is a disparity between folks who are selling these big ticket items and then being undercut by online purchases.

Ms. PEPPER. Absolutely.

Mr. PETERS. Also, I just wanted to mention, for the benefit of the chairman, we have introduced a bill to cut red tape to allow startups or businesses with less than a million dollars in revenue to file their federal taxes annually instead of every quarter. This is typically a Ways and Means thing, but it is something that I think this Committee might be interested in.

Chairman CHABOT. It sounds like an excellent idea to me, and I would be happy to work with the gentleman on that.

Mr. PETERS. Great. Thank you.

And then finally, although you mentioned you were not interested in federal contracting, I am a member of the Arms Services Committee. We introduced rules there to allow small businesses to be eligible to compete for some of that business, and we think that that is a successful model for throughout the federal government, and again, Mr. Chairman, I would love to show you what our ideas were on the defense side and maybe make that something that is available throughout the federal government.

Chairman CHABOT. We would be happy to work with the gentleman on that, too. Thank you.

Mr. PETERS. Thanks very much. I want to just say again, thanks very much. I wish you the best of luck. And we have another NYU law graduate I saw there, too. There are three of us in

Congress, and we know it is expensive, so I am glad you were able to pay back those loans.

Mr. ZIETZ. Thank you.

Mr. PETERS. Good luck. Thank you.

Chairman CHABOT. Thank you. The gentleman yields back.

The gentlelady from Michigan, Ms. Lawrence, is recognized for 5 minutes.

Mrs. LAWRENCE. Thank you, Mr. Chairman.

It is great to be with you today as we recognize the National Entrepreneurs' Day here in the United States.

Ms. Pepper, congratulations on your success. I want you to know, between 1997 and 2015, the number of women-owned small businesses grew over 70 percent, and that rate is 1.5 times the national average. So congratulations on contributing to that.

In my hometown of Detroit, a very small but effective nonprofit called the Build Institute, is helping promote entrepreneurship, and since it was founded and have graduated over 600 students, 70 percent of those students are women, and 60 percent of them identify with a minority group. So we know that the growth of our economy in the United States is really right now resting on the shoulders of women, and we are very excited about that.

So with that, based on your experience of starting and running a successful small business, what advice would you give to women across American who want to start and run their own business? And how can we, Congress, help you?

Ms. PEPPER. I think the advice is not to be scared, and there is so much support out there. Even in the local level there is SCORE that you can go to in so many cities that will help not only women but any small business, navigate the tax law and all of the paperwork that a person would need in their individual location to start a business. And it ranges so much. I personally just moved to a small town from another small town in Massachusetts, and just to get my little business license for the town, it was about a 10-page book, where the last town that I looked in was just a piece of paper that I filed and signed. But I think anything the government can do to just make it easier, and being self-employed is an opportunity. It is work, but it is so rewarding just knowing that everything that you make and do and all of the money you bring in is because of you and your mind and everything that you created.

Mrs. LAWRENCE. Thank you so much.

I just want to say this. As we talk about understanding and this Committee, under the leadership of our ranking member and our chair, focus on the challenges of small business, it is extremely important that the feedback and your experience, that we understand it, we incorporate that into our policies so that we can do exactly what you mentioned, and that is to make the road to entrepreneurship and the road of small businesses to be one that is productive, one that we, you know, sometimes people say government gets in the way. I am a firm believer we should not be in the way. We should be empowering you and giving you the resources so that you can do what you do. Thank you all so much.

I yield back.

Chairman CHABOT. Thank you very much. The gentlelady yields back.

And I would now like to——

Mr. BARTKIEWICZ. Chairman?

Chairman CHABOT. Oh, I am sorry.

Mr. BARTKIEWICZ. I was just going to add one comment to the nature of the question. I apologize for the interruption.

Chairman CHABOT. No, go ahead.

Mr. BARTKIEWICZ. There is definitely something to be said, too, about the cofounders of companies who bring a balance, and there is no doubt in our case the cofounder of our company, Araceli Bosco, my wife, has brought a certain grace, composure, and style to how we have grown our company, that myself as an aerospace engineer would not have brought. And so when people see the visual beauty of letters, the fact that no letters ever look the same, whether you view them on the web or the mobile device, the currency of our company is to certainly bring letters to the world. We will sell mobile stamps, and back to the other question, we would love to not have stamps be taxed. You cannot buy a mobile stamp at any retailer, so it would be nonsensical. But even though the currency of the company is to grow and make money, it was decided by my wife early on that 2 percent of our company would be owned and allocated to 501(3)c, called the Letters Foundation, which is allocated to purely let any cause, educational or nonprofit organization use this technology in perpetuity for free. So it was through kind of the grace of a cofounder to think that way, and I am delighted that my wife is really the soul of our company.

Chairman CHABOT. Thank you.

Mrs. LAWRENCE. I always like to remind people that women are 51 percent of the population, so it is great that you have targeted that other half of the population.

Mr. BARTKIEWICZ. Thank you.

Chairman CHABOT. Thank you. The gentlelady's time has expired.

The gentlelady from New York, Ms. Meng, who is the ranking member of the Agriculture, Energy, and Trade Subcommittee is recognized for 5 minutes.

Ms. MENG. Thank you, Mr. Chairman. And thank you to our ranking member for holding this Committee. And I just really want to thank you and congratulate all of our entrepreneurs for being here and all that you have achieved.

I just wanted to further get a sense of what your experiences have been like with federal agencies' initiatives in terms of what do you think we can do more effectively to get out the message? I know that, for example, in my home district of Queens, New York, a lot of our businesses are sort of the brick-and-mortar shops, and online resources do not necessarily help. But then when we have talked to a lot of MWBs, for example, and in New York, they complain of lack of consolidation amongst the city, state, and federal levels in terms of paper handouts. So I just wanted to get your take on what do you think can be done more effectively to get the resources and information out? Anyone?

Mr. ZIETZ. Well, you know, at the start it is less regulation, so making a business do what they do best. But promoting an environment for people to want to be entrepreneurs, and I think it starts at the lowest levels. I mentioned educating our children that

this is a possibility, when they are young, that they can be an entrepreneur. They talk about wanting to be a doctor, wanting to be a lawyer, wanting to be an engineer. You know, we need to instill with them the belief that they would want to be an entrepreneur. Back years ago it was a dirty word. It was like, oh, you could not get a job. You became an entrepreneur. Well, that is not the case, and we have got people who have been very successful that you look out as role models and we want to let them all know. And it is not just we talked about why there is less women. You need to educate them at that same young age and let them be aware that this is a valid option for them. And when you do that—my daughter is a perfect example—then they do not see any limits and they can go on to be quite successful.

Mr. OSTOICH. If I can jump in. I can give you some experience from the first company that I started. I did the SBA thing. I went to the SBA Office. I sat down with somebody and talked to them about what I was trying to build and where we were and current state of things, and that was not an option for us. And I think what the SBA is looking for in terms of grant making or loans, does not fit the mold or the model of a high-growth, high-tech company. However, where there is a huge opportunity I feel is that the SBA should be where small businesses go for information. I should not go to CincyTech or an investor who points me to the SBA. I should go to the SBA first and they should push me out to everybody. Even if they cannot make me a loan, or they cannot help my business financially, maybe they can connect me with someone who does.

Mr. BARTKIEWICZ. My very mechanical view of the SBA was the SBA loan process. That application is really geared towards a very classic, physical asset company, inventory warehouse factory, cash flow, goods and services. So it is out-of-date in my view. There are a lot of companies who have created a lot of wealth and opportunity that do not fit that loan application box, which I think is a little outdated if I might make a suggestion.

Ms. MENG. I know that Mr. Zietz, you mentioned children's entrepreneurship success. Are there certain programs or initiatives that you think local or federal government can do better to encourage entrepreneurship or foster necessary business skills among youth? And is there a demand for this even?

Mr. ZIETZ. Well, you know, my children participated in a program called the Young Entrepreneur Academy. It was started in Rochester, New York, and it is about 140 locations right now and growing. I know they are trying to get the word out, so if anybody is listening, hopefully that is helpful to them.

There are other programs out there that are similar to what they are doing, and there are other universities that are starting to not only develop programs and concentrations in entrepreneurship, but they are giving back to the community in bringing in students. And the earlier we can make them aware of these programs and provide this education, I know at my children's school I spoke recently with the principal about—she asked me. You know, your kids are doing these wonderful things. How can we do that for all our children? And they are looking heavily into how to create a program for entrepreneurship there. And it is really access. When they know it is

an option, then it is something that can be, you know, they can strive for.

Ms. MENG. Thank you. I yield back.

Chairman CHABOT. Thank you. The gentlelady yields back.

We want to thank our panel here. I think you have really been excellent here today. Mr. Zietz, you mentioned about when people could not get a job and they became entrepreneurs it was maybe looked down upon back in the past. The kid I really feel sorry for is the poor kid in the GE commercials whose dad thinks he cannot pick up the hammer and whose friends ask him if he works on a train and all that kind of stuff. He is the one I feel very sorry for. GE Aviation happens to be headquartered in my district. But in any event, it is very obvious to me why each of you has been successful in a tough world out there. You are all very creative and quick on your feet, even though you are sitting down answering all our questions. I think you really did a commendable job here. And I would encourage folks to maybe consider these meetings are—if you go to the House Small Business website, these are all available, and if there are potential entrepreneurs out there all across the country who I think could really learn a lot on what took place here this morning and a little bit into this afternoon because you all had a lot of very wise things to say, and I think it would be great for the economy if they listened because a lot of people probably would be successful. Obviously not everybody, but some might be and hire a lot of folks and get the economy moving, and that is what both Republicans and Democrats on this Committee are all about. Right, Ranking Member?

Ms. VELAZQUEZ. Let me just thank you for the important experiences you shared with us, and I hope that we could continue doing this at the local level so that other people—because information is so important—are able to listen to you and do not make maybe the same mistakes people before them made or perhaps they gain the type of information that empowers them to go to the right places. One thing is certain—there is a network of support out there and we need to do a better job of communicating that information.

Chairman CHABOT. Thank you very much. And again, we thank the very distinguished members of the panel for their testimony today.

And I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered. And if there is no further business to come before the Committee, we are adjourned. Thank you very much.

[Whereupon, at 12:25 p.m., the Committee was adjourned.]

APPENDIX

Testimony of Chris Ostoich
Co-Founder & VP Marketing
LISNR, Inc.



**U.S. House of Representatives
Committee on Small Business
November 17, 2015**

Contact information:
Chris Ostoich
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(513)259-1253

Good morning. My name is Chris Ostoich - and I'm an entrepreneur. I'm on my third entrepreneurial tour of duty - as co-founder and marketing leader at LISNR, an internet of things and connected device company headquartered in Cincinnati, Ohio.

I would like to thank Chairman Chabot personally and the members of the Small Business Committee for inviting me here today.

I started my first company in Cincinnati in 2006. I started that company because of a pain I felt personally—the pain of being new in a city and in a job.

I was new. I was disconnected. I was missing professional and social networks that mattered, and I'm not talking about the digital kind. I wanted to have a life that was full of meaningful relationships at home and at work—so I did what most rational people would do in this situation. At 28 years old, I took every dollar to my name, moved into my parents' basement, got a job at night waiting tables for extra cash—and went to work building this company.

What I found very quickly was this: in any successful entrepreneurial ecosystem, you will always have these three things:

- Entrepreneurs with scalable ideas
- Investors willing to back those ideas
- Customers willing to engage and buy products

Cincinnati at this time was a little short on all three. It was clearly not the first place on earth one would think to build a tech company. We had no accelerators. We had no incubators. We had very little venture capital available to startups like mine.

What I didn't know was that there was something very special in the works that was set in motion years before. There were things already happening that would soon make Cincinnati and the rest of Ohio flyover country no more.

In 2002, the Ohio Third Frontier was established to change the trajectory of Ohio's economy. The \$2.1 billion initiative provides funding to Ohio technology-based companies, universities, nonprofit research institutions, and other organizations to create new technology-based products, companies, industries, and jobs. It also set up regional investment entities in cities all over Ohio including Cincinnati, Columbus and Cleveland.

By 2006 the Ohio Third Frontier was starting to reach local communities. Our regional investment arm of the Third Frontier was established in CincyTech—and they were about to begin making their first investments.

My first company, BlackbookHR, was funded in 2008 by CincyTech and a syndicate of angel investors. By 2013, BlackbookHR had become one of the human resource industry's leading software solutions for employee engagement.

In 2013, I started LISNR with my friend and P&G marketing veteran Rodney Williams. LISNR is a new communication protocol similar to Bluetooth; however, we are simply using sound to connect devices. In three short years, LISNR has grown to 40 employees and will reach 80 by the end of 2016. Just last week, we an-

nounced our \$10 million dollar Series B financing led by the one of the most successful corporate venture capitalists in the world, Intel Capital.

CincyTech has participated in each company I've led and in almost every round of capital we have raised. Collectively, companies that I have started have raised more than \$20MM of venture capital and, in total, companies that I have started in Cincinnati now employ 60 people at an average salary of approximately \$70,000.

And I am just one representative from this great community. There are hundreds more like me in Cincinnati and other cities in Ohio right now. In fact, many people are saying the Midwest offers the best opportunity for growing companies outside of Silicon Valley. The math behind their logic is fairly straightforward: the Midwest makes up 19% of the country's GDP, we generate almost 20% of its patents, we have some of the best engineering schools in the world and we have the largest concentration of Fortune 500 companies in the country, yet the region ONLY draws 5% of the country's venture capital.

That's where State and Federal government comes in. As I mentioned previously, there are 3 things any successful startup ecosystem needs to be successful...entrepreneurs with scalable ideas, people willing to invest in them and companies willing to do business with them. We still do not have access to enough capital and would not survive without programs like the Ohio Third Frontier.

Today the world has changed in Ohio and in Cincinnati specifically. Here are examples of the Third Frontier's influence.

Since 2007, CincyTech has invested more than \$25.5MM into 59 companies in Cincinnati. Those companies have generated more than \$509MM in follow-on investment capital. More than 760 jobs have been created and these companies have created almost \$160MM in revenue.

The Brandery, Cincinnati's top 10-ranked brand-focused startup accelerator, has accepted companies from 40 countries and 40 states into their accelerator program and has launched 56 companies that have generated \$120MM in follow-on funds.

Cintrifuse is a network connecting the region's high-potential, venture-backable startups to advice, talent, funding, and customers. With over 35 ecosystem partners, 50+ participating local corporations, 75+ mentors and advisors, and a \$57MM Fund of Funds, Cintrifuse leverages the power of its networks to serve over 160 startup members and improve their chances of success.

We've come a long way in less than a decade—and one thing's for sure, Ohio is flyover country no more.

Thank you again for having me here today—it's been an honor.

11-17-015 Zietz Testimony

I am happy to be speaking before you today on National Entrepreneur Day. Entrepreneurship is what built this country through the likes of Rockefeller, Carnegie, Edison, Ford and many others, and entrepreneurship remains the only competitive advantage we have over the rest of the world. I am extremely passionate about Entrepreneurism and actually just came back two days ago from the EY Strategic Growth Forum where I was fortunate enough to be recognized as one of their Entrepreneurs of the Year. I have also had companies of mine appear on the INC 500 list of fastest growing privately held companies seven times and I am the incoming Chair of the Palm Beach Chapter of the Young Presidents Organization.

My company, Touchsuite, is a financial technology company focused on the payment processing space. We provide businesses though out North America with the technology necessary to accept payment. I believe every great company needs to have a purpose greater than themselves and profit. At Touchsuite our purpose is to "Help rebuild America, One Small Business at a time." Through the products we create we help other small business owners to compete with larger companies by giving them the same access to data, marketing and capital that Fortune 500 and big box retailers have long enjoyed. As a result, they are able to increase their business, expand and provide for additional jobs and stimulate the economy.

However, I am most proud of the amazing Entrepreneurs that my wife, Sheila, and I raising. My oldest daughter Rachel is a passionate lacrosse player and saw a need for improved practice equipment and started her own company, Gladiator Lacrosse, when she was just thirteen years old. She participated in the local chapter of YEA, Young Entrepreneur Academy, which is a thirty three week program for students after school where they learn how to start a business, write a business plan, receive mentorship and ultimately pitch investors for funding. She is now fifteen, and is generating over one million in revenue, is the top seller on Amazon, has created multiple jobs and was recently recognized by Governor Scott with Florida's Young Entrepreneur Award. My son Jordan also participated in the YEA program last year and won the local competition, the regional competition and finished third in the nation out of approximately 4,000 students. With the help of programs like YEA, there is not only an amazing future for my children, but this can be the future for our next generation which can continue the rich history of entrepreneurship we have had in our Country.

Entrepreneurs make something out of nothing. We take a chance, work hard and follow our dreams. Sometimes we are successful and when we are we are typically handsomely rewarded, other times we fail, but even in failure we have benefited with an education, albeit an expensive one, that can be applied to our next venture, thus increasing the likelihood of success.

I grew up in a blue color neighborhood outside Detroit and even though I did not have much, I recognized there was opportunity for

everyone regardless of the position you started in life, unlike so many other countries. I always wanted to be an Entrepreneur but figured you needed one of two things, money or know how. I did not have any money so I figured I better go get some know-how and went to law school. After law school I was fortunate to work at Skadden, Arps, one of the largest law firms in the world. The great thing about working at Skadden was every year you were there they gave you three years of experience! However, this helped foster my work ethic.

My wife had it far worse than I did. She was born in Cuba and came to this country when she was thirteen not speaking the language but managed to work hard and I was fortunate enough to meet her in law school. My wife and I joke that if we had started with nothing it would have been a huge head start because we were both saddled with six figure loans from law school.

In 2001, with two young children and a high paying job, I took a leap of faith and followed my dream of starting my own business. I could have continued being an attorney and cashing a very nice pay check. But, I took a chance and bet on myself and what I thought I could build. As a result, today there are approximately one hundred people with high paying jobs that they love. I made it against the odds because of my legal background and the people I met along the way. If you want to make a decision at the governmental level that will increase the odds for others and make their journey easier, than I would suggest you take the following four actions.

ACCESS TO CAPITAL

First, make the capital markets available to everyone not just large corporations. If small business had access to capital there are a million ways they could effectively deploy it to obtain amazing returns for their business. Empower banks, particularly Community Banks, to make loans, their acquisition costs would be significantly lower since they already have the primary relationship with these customers. Banks by their very nature are not entrepreneurial as they want to avoid as much risk as possible, however, if the government were to insure part of the loan by charging a premium on every loan (similar to a PMI insurance in the real estate industry), the premium could go a long way towards offsetting the increased losses that would have to be paid out. Not only would this drive additional revenue through the premiums (i.e. increased interest rate, 2% or so), but by deploying capital into small business will create additional jobs, taxes, capital expenditures, etc. I believe that the Community Banks would be in the best position to make these types of loans as they know the local business owners in their community and with a more entrepreneurial underwriting process can allow them to think outside the box and make loans that make sense in their community.

LESS REGULATION

The cost of compliance is very high. There are many valid instances where regulation is necessary; however, we need to be able

to remove as many obstacles as we can for businesses to be successful. A perfect example, of anti-business regulation was Operation Choke Point. Additionally, the different levels and requirements of regulations by each state make it impractical for small business to compete with larger companies that can absorb those unnecessary costs. Across the board private enterprise has always been more efficient than government in execution. Less involvement of government in small business affairs equals stronger small businesses, which equals more jobs.

FAVORABLE TAX ENVIRONMENT

With the upcoming election we are hearing about different tax plans and I am not here to give you another, however, we need to create a favorable tax environment so people will want to invest. We need to encourage those with money to invest and like any good business person they will run a risk reward analysis on any potential investment that takes into account their after tax return. That return needs to be high enough or they will sit on the sidelines and not deploy their capital. The recent perception in this country is "tax the rich", "CEOs are making too much money" but that is not the correct question. Instead ask "how many jobs were created?", how much total tax revenue was generated". Instead of vilifying these individuals and corporations we should be riding their coat tails. Who cares that they got more, look at what they created and at the end of the day they are the ones who took the chance and risked everything in hopes of the reward they received for executing.

PROMOTE ENTREPRENEURSHIP IN THE NEXT GENERATION

As I discussed earlier, Entrepreneurship is our only competitive advantage and we need to continue to foster that in the next generations. Entrepreneurship is as important as any core curriculum and needs to be taught to our children. We need to empower the future generation with the tools to succeed. Technology is rapidly changing at unprecedented levels and that will only continue to speed up. We cannot train them for the jobs of the future since we don't know what they will be or the skills that will be required. However, we can prepare them with the mindset necessary to be successful. The basics of Entrepreneurism are the same today as they were one hundred years ago; all that has changed is the products, technology and platforms utilized.

CLOSING

Our government needs to continue to support what built this country and foster an environment that is pro entrepreneurship. It is my belief, that through the planting of the seeds necessary to foster Entrepreneurship in this country we can harvest everything we need to regain our greatness. A strong culture of Entrepreneurship in this country will solve most of our problems, will create jobs, will help the GDP rise and shrink the deficit. Much in the same way that we rely on the brave men and women of the armed

forces to fight for us and protect us, we need to remove the restraints we have placed on our small business community and allow them to win the global economic war we are fighting.

Testimony of Drew Bartkiewicz, CEO of lettrs™
Before the U.S. House of Representatives
Small Business Committee
November 17, 2015

Chairman Chabot, Ranking Member Velázquez and Members of the Committee:

I am delighted to be here today to tell you the story of a brand new method of communicating meaningful messages—of reimagining, reinventing and reviving the national pastime of letter writing... all in a new mobile medium to capture the imagination and insights of the next generation.

It is the story of using cutting-edge, up-to-date mobile platforms for people who care about more substantive and lasting communication. It is a story being written today by a group of entrepreneurial veterans who think we need a way to preserve the thoughts that we share with our friends, family, customers, elected representatives and, in some cases, total strangers who may become tomorrow's pen pals.

This is the story of "lettrs™" (www.lettrs.com) the company I founded because I believe that expressing our sentiments in 140 characters, or through a temporal e-mail does not value the preservation of our thoughts, is insufficient. As a father of three, I realized that we needed to harness technology to power deeper, broader and more nuanced language than those short-form snippet-services allow. In essence we needed to reimagine the personal letter for a new world.

There are times when it is important to step out of the flow of our functional, minute-to-minute communications to compose "messages that matter." I am a student of letters, a product of their power and fervently believe that deep personalization of messaging—of mobile letter writing—is a new frontier, distributed across mobile, social, email and native messaging. In today's world of fast social media, the art of communicating in a personal, expressive, and impactful way is being lost...until now.

By way of background, I graduated from West Point in 1989 and served as an Army Lieutenant in the 82nd Airborne during the first Gulf War. What I learned during my military experience directly shapes my entrepreneurial approach today.

Like every small business, especially a technology start-up, leadership is essential. The Army taught me how to build and lead a team of diversely talented people without the benefit of perfect market intelligence and under very constrained budgets. I know how to lead in a climate where our adversaries—competitors, if you will—are determined, adaptive and patient.

My Army unit in Northern Italy and then in Iraq was a hub of necessary innovation, rapidly reacting to a changing threat and de-

manding adaptive actions to persevere and succeed. The skills I learned then I apply to many of the decisions our company makes today.

I am convinced that military education and service can be a magnificent way to learn how to be an entrepreneur. It certainly helped me graduate with an MBA from the Yale Management School in 1994 and served as the foundation upon which I have built my private sector business experience—a pathway that has taken me all across the globe. It is where I learned that no matter what language people speak, they have a common desire to communicate with others, especially with the hope of having communications that leave a lasting impression.

Letters were in fact the very foundation of my relationship with my wife, Araceli, whom I met in Madrid, Spain in 1994. When I shared those letters with our three teenagers a few years ago, I was stuck by a force that was as compelling as it was contrarian: *to save social messaging from itself*. I quit my day job and started on the mission to design and deploy mobile technology to bring letter writing to the writing tools my kids were using...their smart phones.

So we have been on this journey for 2.5 years, powering more deliberate and expressive communications. We have filed 4 non-provisional patents as a proud LLC, won a Google Play Best App Award in 2014 and recently won the trademark for our name “lettrs™” from the USPTO. And we are just beginning. *We are becoming an expression network for all of the world’s letters that may have otherwise never been written.*

Freedom of expression is a very powerful motivator for human beings—it is timeless in fact—and making it easier for people to convey personalized and lasting thoughts is at the core of what is driving the adoption of the lettrs™ app.

Today our mobile social messaging and media platform allows personalized expression using letter-writing elements, such as calligraphy, stationery, stamps and even mobile signatures more than any other mobile messaging application. We are an award winning, original content management network for branded messages, fan mail and social media messaging.

We provide the ability for every person attending this hearing to write a stamped, signed, and original letter which can then be delivered immediately to a cell phone number, an email address, and even through other social networks. We are a small business doing something different, as all small businesses must do, to craft their way to growth.

Our unique network literally powers hand-signed mobile fan mail (what you might call constituent communications) that fuses people, pictures, prose and personality. It allows for communication that is automatically translated into 80 different languages with a pen pal network spanning 170 countries. Lettrs™ allows for personalized, mobile social stamps to promote an idea, a brand, a social cause or a commercial product.

Our vision is catching on across the world. As of last week, our social stamps have received over 950 million views since we introduced them this year. Vint Cerf, the “father of the internet,” recently conducted what he called the “Internet letters initiative” and using the lettrs™ application the network powered over 1,000 letters from 32 countries, helping to drive a new writing desk version on the web.

Our fastest growth market is Indian where lettrs™ is giving over a quarter million people a voice in letter writing that they would not otherwise have. And while we are still compiling metrics, in the aftermath of the Paris terrorist attacks this past Friday, we are already seeing hundreds of passionate letters expressing sympathy and a global desire for resilience and resolve for sanity.

Our story is one few would have ever seen coming. Just when the world thought letters were dead, a relic of the physical past, we have made them come to life again with passion, purpose, and personality. From our small offices in Brooklyn, New York, we touch people around the world. Through popular NBA celebrities, accomplished writer Paulo Coelho of *The Alchemist*, and eager millennials in a developing economy, the lettrs™ platform invited people to communicate with each other in a meaningful way. Not in the tradition of paper-based writing but with the ease and expressive capabilities that a modern mobile device now offers.

As a veteran-founded small business, we have created the world’s largest database and cloud platform of signed digital letters from across the world—that now has led to a new book publishing concept with National Geographic, an emerging vintage stamps partnership with the Smithsonian and a long term partnership with the National Society of Collegiate Scholars to power the next generation of letters—from high school and college students who know they can and should ask more of their mobile communications. To my amazement, there are already more than 77,000 love letters on our network that inspires and invites a truly positive movement in the use of social technologies.

We are not naïve, but we honestly believe we have the right social platform to change the world for the better and I am proud to say that 2% of our company is already allocated to the lettrs™ Foundation (www.lettrsfoundation.org), having created charitable stamps and campaigns for the United Way, Wounded Warrior Project and the Sundara Fund. This is our effort to unlock mobile letter writing for free for any school or non-profit organization wanting to elevate their message that matters.

During National Entrepreneur Week our panel today represents but a nano-fraction of the small business owners who are trying to pursue their dreams by creating business opportunities. It is not enough to have a good idea. Entrepreneurs need access to capital—human and financial—and I spend a lot of time ensuring that we have what we need. It is not an easy task.

We did not even attempt to approach the Small Business Administration. Their application and approval process is quite tedious and is really designed for companies with physical collateral that can be pledged as a loan guarantee. Our collateral at lettrs™—in

contrast—is not physical but digital. We have been growing social and mobile assets, and we collect those powerful emotional expressions from individuals who have invested over 116,000 hours in writing deliberate words just in the last month alone.

I funded lettrs™ the old fashioned way, through diligent personal efforts, persistence, sacrifice, managing early stage business risk and building incremental trust with our investors through large leaps in innovation. Individual investment in lettrs™ has come from many who are veterans themselves. Service Academy graduates, and also from individuals formerly of Amazon, Apple, Google, and salesforce.com, all who have faith in a veteran-founded technology company.

Through some of my West Point classmates, I was introduced to a group of angel investors who focus on companies started by graduates of the military service academies. In addition to investing seed money in lettrs™ to help us get started, they have invested in other small businesses, including one started by my friend, Andrew Kemendo, an Air Force Academy graduate, who is sitting behind me this morning. Andrew's company, called Pair, has developed an augmented reality technology that is just remarkable and I hope you will have a chance to look at it after this hearing concludes. I would also like to show you how to download the lettrs™ app and personalize your own account to compose and sign your more deliberate and passionate communications, thereby inviting and inspiring your constituents to do the same. And I would like to show you how we personalize lettrs™ stamps, including some unique images that might even look familiar.

In closing, I want to say thank you to my country to which I proudly served, the United States. I am grateful for the opportunity to testify this morning. It is an honor to be here.

I look forward to your questions about my experience in building my company www.lettrs.com and how we plan to power the world's next generation of lasting communications.

Drew Bartkiewicz, CEO lettrs™

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<http://about.lettrs.com/>

Messages That Matter, Messaging 2.0.

Featured in TIME, BBC, WSJ, BusinessWeek, and NPR

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U.S. House of Representatives Committee on Small Business**Testimony on “National Entrepreneurs’ Day”****Presented by:****Jennifer Pepper, Owner, Peppersprouts & The Chatty Press****November 17, 2015**

Good morning, my name is Jen Pepper and I’m a creative entrepreneur from the North Shore of Massachusetts. Thank you, Chairman Chabot, Ranking Member Velazquez, and members of the Committee for the opportunity to share my story with you.

I opened my first Etsy shop, Peppersprouts, in 2008, where I make nature inspired home decor. For those of you not familiar with Etsy, it’s an online marketplace where you can buy handmade and vintage goods from artists, designers and collectors around the world. When I started selling on Etsy, I was working as a full-time design director in a marketing and branding firm in New York City. Peppersprouts was a creative outlet for me. I sold some paper cut illustrations and a few greeting cards, but I wouldn’t have considered it a business.

A few months in, I received a discount code through an Etsy contest to try laser cutting for the first time. I illustrated a design for a set of coasters, as interior decorating has always been a passion of mine, and I had them laser cut. After posting a photo of the finished product online, I began getting encouraging responses from friends, strangers, and even a blog. With that positive encouragement, I started selling the coasters on Etsy.

That’s when PepperSprouts took off. All of the sudden, my coasters were featured in national magazines, sold in museum gift shops, and most importantly, treasured by people all across the world.

In 2010, I decided to open another Etsy shop called The Chatty Press, selling stationery and address stamps. I ran this shop in addition to working as a full-time graphic designer and continuing to manage my first shop. The Chatty Press grew slowly and steadily. After another successful holiday season in 2012, my fiancé and I agreed that I would quit my day job after our wedding that summer, and try to make my Etsy shops a full time gig.

Unfortunately, the catalog I was working for went under in March of that year, which expedited our plans. Although my move to full time entrepreneur happened a bit sooner than we expected, it is the best thing that could have happened. This spring will mark my fourth year as a full-time creative business owner, a mile-

stone I am incredibly proud of. Creativity runs through my blood and so does the entrepreneurial spirit. My businesses give me the opportunity to pursue both of these passions.

And my experience is not unique. There are over 1.5 million sellers on Etsy, and together we sold \$1.93 billion in goods in 2014. Most of those sellers are from traditionally underrepresented populations. For example, 86% of Etsy sellers are women, and they are twice as likely than traditional small business owners to be under the age of 35. Many sellers are parents with children at home and 17% of sellers have an annual household income under \$25,000.

For many, Etsy acts as a starting point to creative entrepreneurship by eliminating the barriers and risks to starting a business. It costs just twenty cents to list an item on Etsy, and the platform takes just 3.5% of every transaction. It's not surprising that nearly half of all Etsy sellers sold their goods for the very first time on Etsy, just like me.

Some might be inclined to write off the Etsy sellers as amateurs or hobbyists, but we are small business owners in our own right. 76% of all Etsy sellers label their shops to be businesses, and for 30% of sellers, their creative business is their sole occupation. For the rest, their creative businesses provide an important source of supplemental income.

Every part of my business stems from my heart and my own hands. Like the vast majority of Etsy sellers, I run all aspects of my shop on my own, working out of my home. I write my own copy, design my own ads, photograph my own products, draw my own designs, stain and sand every set of coasters, and typeset every address stamp that is sold through my shops. It is through my personal connection to each handmade good, that I am giving back to the world.

While operating as a business of one has been truly liberating, it has come with challenges that policymakers could help address.

First, I have serious concerns with proposed legislation that would require sellers like me to collect and remit sales tax in every state. In particular, I am concerned about the Remote Transactions Parity Act (HR 2775), which would require sellers who use online platforms to collect and remit sales tax in every state, regardless of how big they are. I sell my items at craft shows in multiple states, and work hard to make sure I comply with the local rules wherever I go. But there are over 9,000 tax jurisdictions in the United States—it would be nearly impossible for me to manage these new requirements without hiring additional help. The Remote Transactions Parity Act would increase barriers to entrepreneurship and stifle creative micro-business owners like me, who would simply not have the time or resources to comply.

Second, policy makers could help businesses like mine by reducing the barriers we face when shipping goods across borders. Right now, around 15% of my sales are to people in the UK, Australia, and Canada. While it's rewarding to imagine my products in homes across the world, it can be a frustrating process to ship them there. Customs and duties requirements vary by country, and tracking

often stops at the border. To successfully export my goods, I have to work much harder than larger businesses, which have the means to navigate complex shipping challenges and trade rules. Policymakers can help creative micro-entrepreneurs like me by prioritizing a higher de minimis customs exemption in trade negotiations around the world. I'm thankful for the provisions in the customs bill increasing the US de minimis to \$800 and encouraging USTR to prioritize this issue in future trade negotiations. I encourage lawmakers to quickly pass this important piece of legislation.

Finally, creative policymakers can help build new systems to ensure economic security for self-employed people like me. As a business of one, it can be incredibly difficult to manage periods of slow sales, save for retirement, or even take a sick day. My IRA has barely seen a few new dollars since I began working for myself full-time. And, I have a weekly doctors appointment that takes me away from my studio for half a day. When you are a business of one, there are no co-workers filling in when you are sick. Time away from the studio means money lost, and increased stress upon return. More people are earning income outside of the employer-employee relationship and working in the broader gig economy. I encourage policymakers to consider new portable benefits models that ensure everyone has access to economic security, regardless of the way they earn a living.

I am deeply appreciative of the opportunity to share my story with you, and hope that I have shed some light on the challenges creative entrepreneurs face today. Like 90% of Etsy sellers, I wish to continue to grow my creative business. I hope this coming year brings more success, and more customers so that I can hire an employee, and perhaps even move into a studio space, rather than continuing to work out of my wonderfully decorated spare bedroom. My dream is not only sell my work, but also create a lasting business that is bigger than myself. I welcome the opportunity to work with you to help make that dream a reality.

